

VZCZCXYZ0029
RR RUEHWEB

DE RUEHBO #0103/01 0282141
ZNR UUUUU ZZH
R 282141Z JAN 10
FM AMEMBASSY BOGOTA
TO RUEHC/SECSTATE WASHDC 2377
INFO RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEHBJ/AMEMBASSY BEIJING 0009
RUEHBO/AMEMBASSY BOGOTA
RUEHBR/AMEMBASSY BRASILIA
RUEHCV/AMEMBASSY CARACAS
RUEHGT/AMEMBASSY GUATEMALA
RUEHLP/AMEMBASSY LA PAZ
RUEHME/AMEMBASSY MEXICO
RUEHMU/AMEMBASSY MANAGUA
RUEHPE/AMEMBASSY LIMA
RUEHQT/AMEMBASSY QUITO
RUEHRC/DEPT OF AGRICULTURE USD FAS WASHINGTON DC
RUEHSG/AMEMBASSY SANTIAGO
RUEHSJ/AMEMBASSY SAN JOSE
RUEHSN/AMEMBASSY SAN SALVADOR
RUEHTG/AMEMBASSY TEGUCIGALPA 0765
RUEHZP/AMEMBASSY PANAMA

UNCLAS BOGOTA 000103

SENSITIVE
SIPDIS
STATE PASS USTR

E.O. 12958: N/A
TAGS: [ETRD](#) [ECON](#) [PREL](#) [EIND](#) [KTEX](#) [CO](#)
SUBJECT: COLOMBIAN TEXTILE INDUSTRY: DYING OR JUST DOWNSIZING?

REF: 09 BOGOTA 239

11. (U) SUMMARY. Long a cornerstone of Colombia's industrial base, the textile/apparel industry has declined in recent years. Industry experts point to four primary reasons for the sector's dismal performance in 2009: 1) decreased exports, particularly to Venezuela; 2) short-term U.S. trade preference extensions and the absence of a free trade agreement with the U.S.; 3) the peso's revaluation; and 4) increased competition from both contraband and legal imports from China. The GOC and private sector pin hopes for the industry's future on an orientation toward global niche markets, requiring high degrees of innovation, technology, and value added. END SUMMARY.

INDUSTRY DECLINE, BY THE NUMBERS

12. (U) Following a difficult 2008 (reftel), Colombian Textile Association President Ivan Amaya characterized 2009 as "brutal" for the industry, and described Colombian textile and apparel producers in 2010 as "survivors." Production in 2009 fell by 20 percent, and the industry, which accounts for 21 percent of total manufacturing sector employment, shed some 40,000 jobs. Antioquia department, which accounts for 53 percent of Colombian textile/apparel production and 62 percent of exports, was the hardest hit, with several factories forced to close. Following are four principal reasons for the industry's woes.

REASON ONE: DECLINE IN EXPORTS, PARTICULARLY TO VENEZUELA

13. (SBU) Textile/apparel regularly ranks among the top five

Colombian exports, and number one when it comes to a significant degree of value added. While overall Colombian exports saw a 14 percent decline in 2009, textile/apparel exports dropped by 45 percent. In 2008, Venezuela bought 65 percent of Colombia's textile exports, and Ecuador 10 percent. Apparel exports to Venezuela plummeted 67 percent in the first ten months of 2009 and those to Ecuador fell 55 percent during the same period. GOC and industry contacts do not expect to recover the Venezuelan market, given the administrative barriers. However, they hold out hope for Ecuador, once balance-of-payments and exchange rate safeguards are lifted.

REASON TWO: NO FTA; SHORT-TERM ATPA EXTENSIONS

14. (SBU) Guillermo Valencia, a prominent economist and business executive in the textile sector, described Colombia's frustration over inaction on the U.S.-Colombia trade agreement with the following allegory during public remarks: "We walked for a long time on a bitterly cold night, until finally we reached the house of a friend. And that friend refused to open the door for us." Industry contacts argue that the lack of the bilateral deal

prevents significant long-term foreign investment in the sector. Likewise, they consider that short-term (one-year) Andean Trade Preference Act (ATPA) extensions, while better than nothing, do not give the certainty necessary for the sector to thrive.

REASON THREE: REVALUATION

15. (SBU) The Colombian peso has appreciated by 51 percent in nominal terms versus the dollar since 2003. This development has taken a toll on all Colombian exporters, and the textile sector is no exception. According to National Association of Exporters (Analdex) President Javier Diaz, Colombian exporters have become more savvy in the use of exchange rate hedging instruments to manage volatility, but the overall upward trend in the peso's value has put more inefficient exporters out of business and reduced profits for the rest.

REASON FOUR: CONTRABAND / CHINESE IMPORTS HURTS DOMESTIC SALES

16. (U) A recent study ranked Colombia seventh out of nine Latin American in per capita clothing consumption. Amaya attributed the relatively low figure to the large amount of uncounted contraband. Apparel producers have expressed concern that recently published Decree 111 (enacted in response to a WTO case filed and won by Panama against Colombia) will allow Chinese imports via the Panamanian Colon Free Zone to enter Colombia through any port of entry, leading to more contraband clothing. Likewise, domestic producers acknowledge they cannot compete on price with legitimate Chinese imports.

INDUSTRY FOCUSED ON GLOBAL NICHES, VALUE ADDED, FUNCTIONALITY

¶7. (U) Having ceded the high volume/low price market to China and others, Colombia's textile/apparel producers are turning their focus to global niche markets requiring higher degrees of technology and value added. The theme of this year's textile trade show "Colombiatex" was "Beyond Conventional, Closer to Functional." It featured antibacterial clothing for medical professionals, fabrics with "microcapsules" of skin-care products, antimicrobial and "quick-dry" athletic wear, and "self-cleaning" fabrics, among other efforts to incorporate the latest technology and environmentally friendly practices in textile manufacturing.

¶8. (U) The Ministry of Commerce, as part of its "Productive Transformation Program" has identified textile/apparel as one of eight priority industries and, in collaboration with the private sector, is establishing a work plan to develop it into a world-class sector. The vision is to increase innovation and creativity by taking a dispersed sector with a high degree of informality and turning it into a technology-based "cluster." The success of this initiative may well determine the long-term

viability of Colombia's textile/apparel sector.

BROWNFIELD